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AFoCO
COUNTRY FORESTRY TREND

Advancing Forest Carbon Governance and Voluntary Carbon Market Readiness in the Philippines

BACKGROUND

The Philippines is increasingly aligning its forestry sector with climate mitigation and climate finance objectives in response to growing climate vulnerabilities and emerging opportunities in voluntary carbon markets. As one of the countries most exposed to extreme weather events, the Philippines recognizes the vital role of forests in strengthening climate resilience, protecting watersheds, conserving biodiversity, and sequestering carbon. Forests are therefore no longer viewed solely as ecological resources, but also as strategic natural assets that can support sustainable economic development. This transition reflects a broader shift toward market-based and results-oriented forest governance that integrates environmental protection with climate and financial goals.

To support this transition, the Philippine government introduced major policy reforms in 2026 aimed at strengthening forest carbon governance. The DENR Administrative Order (DAO) No. 2026-02 adopted the Philippines' Readiness in the Voluntary Forest Carbon Market: Roadmap (2026–2030), which outlines a phased strategy for enhancing policy, institutional, technical, and financing systems. The Roadmap identifies critical gaps in governance and proposes coordinated actions to improve the country's readiness for participation in carbon markets. These measures are intended to build national capacity while ensuring environmental integrity and social safeguards in forest carbon initiatives.

Complementing the Roadmap, the DAO No. 2026-05 established operational guidelines for the establishment, registration, and monitoring of voluntary forest carbon credit projects in the country. The issuance translates the broader strategic framework into concrete procedures and regulatory requirements for project implementation. Together, both policies create an integrated framework that combines strategic planning with practical regulatory mechanisms for forest carbon governance.

Key Messages

1. Strengthening Forest Carbon Governance: The Philippines established a national forest carbon framework through DAO No. 2026-02 and DAO No. 2026-05, providing strategic and regulatory foundations for participation in voluntary carbon markets.

2. Promoting Climate Finance through Sustainable Forestry: Forests are increasingly recognized as both ecological and economic assets, supporting climate mitigation, carbon sequestration, and access to climate finance opportunities.

3. Aligning Forest Management with Global Climate Goals: The reforms strengthen safeguards, monitoring systems, and institutional capacity while aligning forest carbon initiatives with the Paris Agreement and the country's Nationally Determined Contribution (NDC).

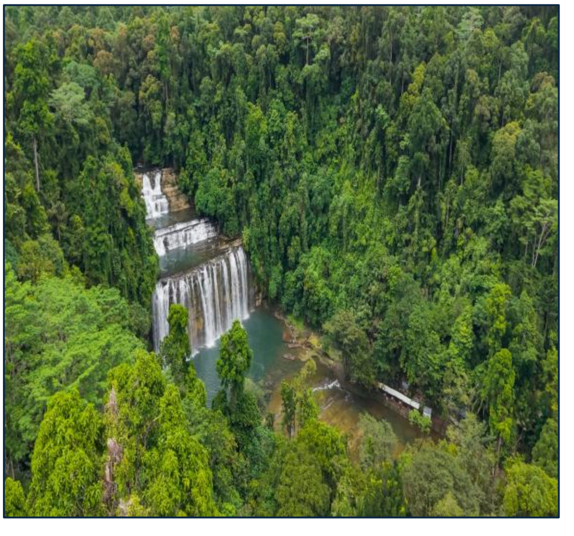

Figure 1: Tinuy-an Falls in Surigao del Sur, Philippines
Source: https://www.undp.org/

This framework is designed to align carbon market participation with national development priorities, international standards, and the Philippines' commitments under the Paris Agreement and its Nationally Determined Contribution (NDC).

COUNTRY TREND HIGHLIGHT

A Structured Transition Toward Carbon Market-Oriented Forestry

The Philippines is transitioning toward a carbon market-oriented forestry framework through DAO No. 2026-02 and DAO No. 2026-05. Recognizing that effective carbon market participation requires strong governance, institutional capacity, and reliable data systems, the Roadmap under DAO No. 2026-02 identifies key gaps and outlines coordinated actions to strengthen national readiness while ensuring transparency and alignment with development priorities.

Phased Approach to Readiness and Market Integration

A key feature of the Roadmap is its phased implementation strategy, which promotes a gradual transition to carbon market participation. By allowing policies, institutions, and technical systems to develop over time, the approach strengthens governance, reduces implementation risks, and supports the long-term sustainability of forest carbon initiatives.

The Roadmap consists of three stages: (1) strengthening the enabling environment through policy and governance reforms; (2) developing systems and piloting carbon projects, including Measurement, Reporting, and Verification (MRV) and registry mechanisms; and (3) scaling participation in voluntary carbon markets and international mechanisms. This phased approach supports capacity building, institutional learning, and greater confidence in the forest carbon governance framework.

Operationalizing Carbon Projects Through DAO 2026-05

Complementing the Roadmap, DAO No. 2026-05 establishes operational guidelines for voluntary forest carbon projects, covering registration, monitoring, verification, and carbon credit issuance. The policy requires compliance with national MRV standards and carbon accounting principles while aligning projects with the NDC, REDD+, and national forest management policies, thereby strengthening transparency, accountability, and investor confidence.

Four Pillars Shaping Forest Carbon Governance

The DAO No. 2026-02 structures the Philippines' forest carbon transition around four interrelated pillars that form the foundation of forest carbon governance. These pillars are designed to strengthen policy coherence, technical systems, institutional coordination, and financial sustainability for credible participation in carbon markets.

Figure 2: A timber stand in a Community-Based Forest Management (CBFM) area in Agusan del Sur, Philippines
Source: Gibe RC, 2026

1. Policy and Regulatory Framework: The Roadmap promotes clear and coherent policies that define carbon rights, align with land tenure systems, and integrate with national climate and biodiversity strategies. It also aims to reduce policy uncertainties that may hinder implementation and investment.

2. Data Systems, MRV, and Carbon Registry: The framework prioritizes the development of robust systems such as the National Forest Monitoring System (NFMS), Forest Carbon Credit Database, and National Carbon Registry. These systems support accurate Measurement, Reporting, and Verification (MRV), strengthen greenhouse gas accounting, and prevent double counting.

3. Institutional Arrangements and Capacity Building: The Roadmap clarifies the roles of key Department of Environment and Natural Resources (DENR) offices and promotes coordination among national agencies and local stakeholders. Capacity-building initiatives are also emphasized to strengthen technical knowledge and support effective carbon project implementation.

4. Financing and Market Development: The framework encourages the mobilization of public and private investments to support forest carbon initiatives. It explores financing mechanisms such as green funds, trust mechanisms, and results-based payments while positioning the Philippines for participation in voluntary carbon markets and emerging international trading systems.

Strengthening Integrity, Safeguards, and Social Inclusion

A defining strength of the Philippine forest carbon framework is its strong emphasis on environmental integrity and social safeguards, ensuring that carbon market participation delivers genuine climate benefits while protecting ecosystems and communities. Both DAO No. 2026-02 and DAO No. 2026-05 embed these safeguards as core principles, rather than supplementary considerations.

From an environmental perspective, the framework requires all carbon projects adhere to internationally recognized standards of credibility. This includes ensuring emission reductions are real, additional, and permanent, and that projects contribute to the conservation of biodiversity and ecosystem services. At the same time, integration with national MRV systems helps prevent risks such as double counting or overestimation of carbon benefits, thereby maintaining the integrity of the country's carbon accounting system.

Equally important is the emphasis on social inclusion and equity, particularly in relation to Indigenous People and local communities who are often the primary stewards of forest resources. The framework explicitly requires that carbon projects respect customary rights and promote fair distribution of benefits.

Key safeguard mechanisms include:

- Application of Free, Prior, and Informed Consent (FPIC) for activities affecting Indigenous People;
- Establishment of equitable benefit-sharing arrangements to ensure communities receive a fair share of carbon revenues;
- Protection of tenure rights and access to forest resources; and
- Promotion of co-benefits, including livelihood enhancement and ecosystem restoration.

These safeguards are critical not only for ethical and legal compliance but also for ensuring the long-term sustainability and social acceptability of carbon projects. By embedding these principles, the Philippines strengthens its position as a provider of high-integrity and socially responsible carbon credits.

Positioning the Philippines in the Global Carbon Market

Through the combined implementation of DAO No. 2026-02 and DAO No. 2026-05, the Philippines is strategically positioning itself as an emerging participant in the global carbon market, particularly within the rapidly expanding Voluntary Carbon Market (VCM). The Roadmap articulates a clear intention to align national systems with international standards, thereby enhancing the credibility and competitiveness of Philippine carbon credits.

This positioning is underpinned by several strategic actions. First, the development of national MRV systems and a carbon registry to ensure that carbon credits generated in the Philippines can be transparently tracked and recognized in international markets.

Second, alignment with global standards and methodologies enables projects to meet the requirements of established carbon certification bodies. Third, the regulatory clarity provided by DAO No. 2026-05 reduces risks for investors and facilitates private sector engagement.

In practical terms, this enables the Philippines to:

- Participate actively in Voluntary Carbon Market (VCM) and attract international buyers;
- Explore future engagement in mechanisms under the Paris Agreement, including cooperative approaches under Article 6;
- Mobilize climate finance and private investment to support forest conservation and restoration; and
- Contribute to the national emission reduction targets while generating economic value from forest ecosystems.

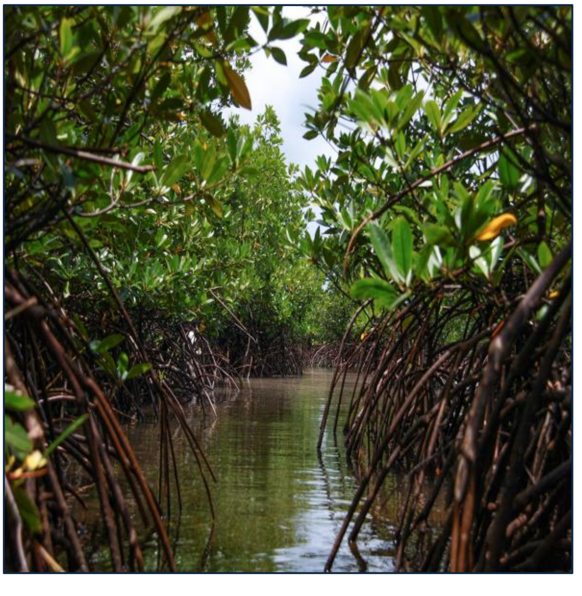

Figure 3: Mangrove area in Palawan, Philippines.
Source: Gibe RC, 2024

CHALLENGES AND OPPORTUNITIES

Challenges	Opportunities
• Institutional Coordination and Governance Complexity: Implementing DAO No. 2026-02 and DAO No. 2026-05 requires strong coordination across agencies and government levels.	• Access to International Climate Finance: Forest carbon initiatives can attract international funding for conservation, restoration, and sustainable land management.
• Technical Complexity of MRV Systems and Carbon Accounting: Developing robust MRV systems and standardized carbon accounting requires significant technical expertise and reliable data.	• Scaling Up Nature-Based Solutions: Carbon finance can support large-scale restoration and climate mitigation through nature-based solutions.
• Financial Constraints and Market Uncertainty: High project costs and uncertain carbon market demand may limit investment in forest carbon initiatives.	• Enhancing Community Livelihoods and Local Economies: Forest carbon projects can generate income and livelihood opportunities for local communities.
• Land Tenure and Carbon Rights Ambiguities: Unclear land ownership and carbon rights can create legal uncertainties and delay project implementation.	• Strengthening Data-Driven Forest Governance: MRV systems and carbon registries can improve transparency, monitoring, and evidence-based decision-making.
• Ensuring Equitable Benefit-Sharing and Social Inclusion: Effective participation and fair benefit-sharing for Indigenous People and local communities remain critical for project success.	• Positioning in Global Carbon Market Mechanisms: Alignment with international standards can strengthen the Philippines' participation in global carbon markets and climate commitments.

CONCLUSION

The adoption of DAO No. 2026-02 and DAO No. 2026-05 represents a transformational shift in Philippine forestry, moving toward a model that integrates climate finance, market mechanisms, and sustainable forest management.

The Roadmap's phased approach and four-pillar structure provide a comprehensive foundation for readiness, while the regulatory guidelines ensure that carbon projects are implemented with integrity and accountability. Together, they create an enabling environment for the development of a robust and inclusive forest carbon market.

Moving forward, the success of this transition will depend on effective implementation, sustained capacity building, and strong institutional coordination. If these conditions are met, the Philippines is well-positioned to become a credible and competitive participant in global carbon markets, while advancing its broader climate and development objectives.

ACKNOWLEDGMENT

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Asian Forest Cooperation Organization (AFoCO)

AFoCO is a treaty-based intergovernmental organization that is committed to strengthening forest cooperation and taking concrete actions to promote sustainable forest management and address the impacts of climate change.

www.afocosec.org

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